

AD-A187 990

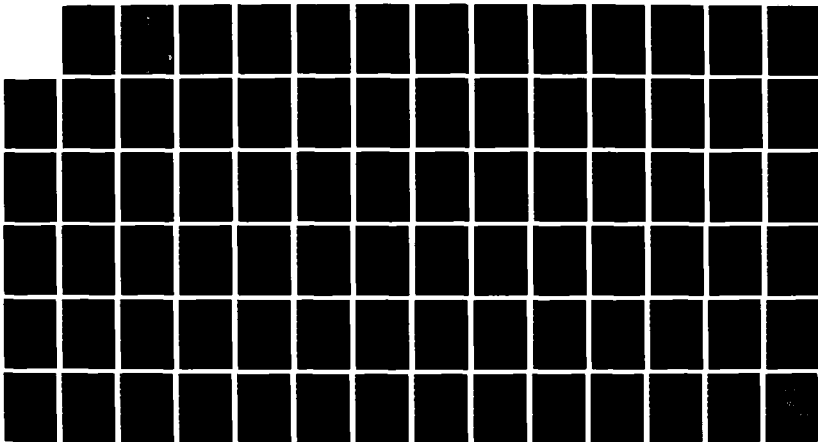
YEAR-END SPENDING: AN ANALYSIS OF THE CONTRACTING
OFFICER'S PERSPECTIVE(U) AIR FORCE INST OF TECH
WRIGHT-PATTERSON AFB OH SCHOOL OF SYST.. D J GOBLE
SEP 87 AFIT/OSM/LSV/875-89 F/O 5/1

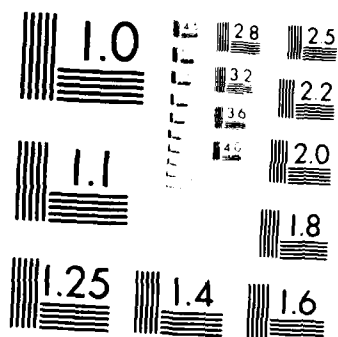
1/1

UNCLASSIFIED

ML

6



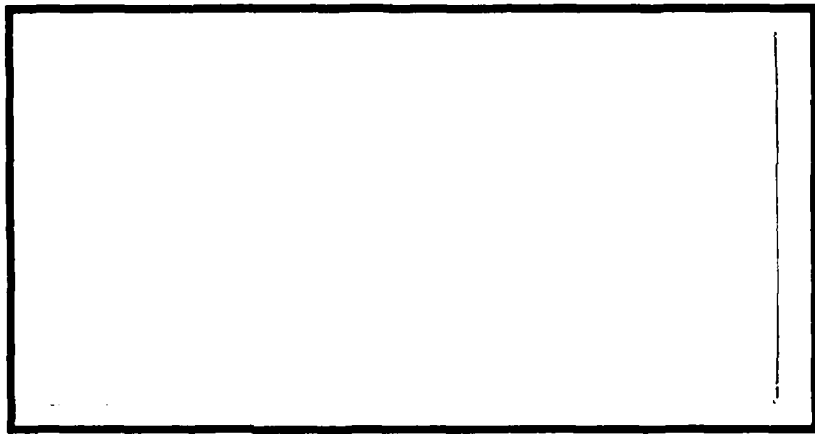


MICROCOPY RESOLUTION TEST CHART
 NATIONAL BUREAU OF STANDARDS-1963-A

2

AD-A187 990

DTIC FILE COPY



DEPARTMENT OF THE AIR FORCE
AIR UNIVERSITY

AIR FORCE INSTITUTE OF TECHNOLOGY

DTIC
ELECTE
JAN 25 1988
S E D

Wright-Patterson Air Force Base, Ohio

This document has been approved
for public release and sale in
distribution is unlimited

88 1 12 011.

2

AFIT/GSM/LSY/87S-09

YEAR-END SPENDING:
AN ANALYSIS OF THE CONTRACTING
OFFICER'S PERSPECTIVE

THESIS

David J. Goble
Captain, USAF

AFIT/GSM/LSY/87S-09

Approved for public release; distribution unlimited

AFIT/GSM/LSY/87S-09

YEAR-END SPENDING: AN ANALYSIS OF THE CONTRACTING
OFFICER'S PERSPECTIVE

THESIS

Presented to the Faculty of the School of Systems and Logistics
of the Air Force Institute of Technology
Air University
In Partial Fulfillment of the
Requirements for the Degree of
Master of Science in Systems Management

David J. Goble, B.A.

Captain, USAF

September 1987

Approved for public release; distribution unlimited

Acknowledgements

In accomplishing this research, I have received invaluable advice, understanding and support from others. I am especially indebted to Doctor Anthony D'Angelo, my thesis advisor, for his guidance and patience throughout this task. I also wish to thank Captain Holly Conner for advice regarding contracting policies and procedures. Finally and most importantly, I wish to thank my wife, Diane, and my daughter, Elizabeth, for their love, encouraging support and understanding during the thesis process.

Table of Contents

	Page
Acknowledgments	ii
List of Tables	v
Abstract	vii
I. Introduction	1
Background	1
Research Objectives	2
Scope of Research	2
II. Literature Review	4
Possible Causes of Year-end Spending	4
Impacts of Year-end Spending	6
Policy Limitations	7
Improvement Efforts	8
Justification for Additional Research	9
III. Methodology	10
Justification of Approach	10
Survey Approval	11
Survey Instrument Design	11
Analysis	13
Limitations of Research	14
IV. Analysis and Findings	15
Demographic Characteristics	15
Research Question One	24
Research Question Two	29
Research Question Three	40
Research Question Four	44
Conclusion	46
V. Conclusions and Recommendations	47
Introduction	47
Research Question One	47
Research Question Two	48
Research Question Three	48
Research Question Four	50
Policy Implications	50
Recommendations for Follow-on Research	50

Appendix A: Survey Questionnaire	52
Appendix B: SAS Data Analysis Program	61
Bibliography	66
Vita	68

List of Tables

Table	Page
1. AFSC or Job Series	16
2. Military Rank	17
3. Civilian Grade	18
4. Assigned Organization	19
5. Assigned Organization by AFSC or Job Series	20
6. Primary Responsibility	21
7. Years Contracting Experience	22
8. Years Contracting Experience by AFSC & Job Series	23
9. Majority Fund Appropriation	24
10. Need to Obligate Before Expiration	25
11. Complexity of DOD Procurement	26
12. Need to Obligate to Prevent Budget Cuts	27
13. Late Receipt of Contingency Funds	27
14. Late Budget Approval by Congress	28
15. Year-end Obligation Not a Problem	30
16. Contracting Officers are Familiar with Year-end Policy	31
17. Organization Imposes Added Limits	32
18. Policy Reduces Potential Waste	32
19. Restrictions Limit Non-expiring Funds	33
20. Not Pressured for Unnecessary Items	34
21. Not Pressured for Low Priority Items	35
22. Administrative Error Significant	36
23. Lack of Competition Significant	36

	Page
24. Hurried Negotiation Significant	37
25. Purchase of Very Low Priority Items Significant	37
26. Shortage of Manpower Significant	37
27. Contracting Officers' Responsibility to Judge	39
28. Third Quarter Workload	39
29. Fourth Quarter Workload	40
30. Expired Funds for Low Priority Items Beneficial	41
31. How Much Could Be Returned	42
32. Two-year Budgets Would:	43
33. Training of the Contracting Officer is Adequate	44
34. Training of the Program Manager is Adequate	45
35. Additional Training for the Program Manager	46
36. Additional Training for the Contracting Officer	46

Abstract

The purpose of this study was to examine the perspectives of Air Force Systems Command contracting officers relative to year-end spending practices, current policies, and changes needed in order to minimize waste and/or the perception of waste given that year-end spending is not necessarily wasteful.

Four research questions were addressed. These were: (1) Do contracting officials agree with the causes of year-end spending identified in previous research and which of these is considered to be the most significant factor? (2) Do policies which implement earlier (e.g., third quarter of the fiscal year) deadlines decrease the potential for waste? (3) Are there other methods or policies which would provide better incentives for managers and contracting officials to minimize the unnecessary use of available government funds? (4) Would additional training of Air Force fund managers and contracting officers be beneficial in reducing the possibility of waste, and, if so, what areas should that training cover?

In general, most contracting officers did agree with the causes previously identified and considered the need to obligate before expiration of funds as the most significant. Additional causes, including the complexity of the procurement environment, followed closely in the order of importance. Over 50 percent of those responding indicated that current policies do not reduce the potential waste. The "typical" Air Force Systems Command contracting officer also feels that there is some pressure to obligate funds for low priority items. The

most significant cause of waste was the requirement to hurry negotiations before the end of the fiscal year.

With respect to potential policy improvements and additional training, most felt that additional incentives are necessary to minimize the use of funds and that additional training would be beneficial. For program managers this training should emphasize contracting procedures and schedules. Contracting officers desired additional training in the financial area and better knowledge of current year-end policies.

YEAR-END SPENDING: AN ANALYSIS OF THE CONTRACTING OFFICER'S PERSPECTIVE

I. INTRODUCTION

Background

Year-end obligation of funds or spending, as it is commonly known, is a continuing concern to Congress and the taxpayer for the potential waste that may occur. "Congressional investigations and General Accounting Office (GAO) reports have determined that a number of Federal agencies, including the Department of Defense (DOD), have engaged in a spending practice which potentially wastes millions of tax dollars annually" (4:1). This waste potential is reported back to the taxpayer. According to Reader's Digest, "It happens every August and September . . . all across America federal bureaucrats hurry to spend every last dollar of their budgets" (6:13).

Media reports written from this perspective appear to be typical.

Industry Week reported in August 1985 that:

David A. Stockman . . . urged Cabinet secretaries, agency chiefs, and federal Inspectors General to 'give personal attention to preventing wasteful year-end spending by those . . . who would obligate funds simply so that they will not be reported as unobligated at the end of the fiscal year.' Presumably, OMB has detected problems in the past with extravagant bureaucratic spending in the final three months of the governments accounting year . . . or Mr. Stockman would not have sent his memo. (7:21)

Such year-end spending patterns appear to be far from new and have continued to be resistant to change.

The potential problems of year-end spending surge were first officially recognized by the Director of the Bureau of the Budget, now OMB [Office of Management and Budget], in a 1921 memorandum to the heads of Executive agencies. The

Director expressed strong concerns about the effects of such a spending practice and urged that it be eliminated. Since that time, Presidents, Budget Directors and Congresses have attempted to control and/or eliminate year-end spending in the Federal Government. (4:6)

Such continuing public and high level interest within the government make it imperative that managers and procurement officials fully understand the implications of year-end spending.

Research Objectives

Previous studies have examined year-end spending, the potential for waste and the reforms being made which attempt to control it. In order to follow up this research and evaluate the effectiveness of policy reforms and their implications for future managers, this research examined its causes, potential impacts, and areas which may be improved.

More specifically, the research examined contracting officer perspectives on the following investigative questions:

1. Do contracting officials agree with the causes identified in previous research and which of these is considered to be the most significant factor?
2. Do policies which implement earlier (e.g., third quarter of the fiscal year) deadlines decrease the potential for waste?
3. Are there other methods or policies which would provide better incentives for managers and contracting officials to minimize the unnecessary use of available government funds?
4. Would additional training of Air Force fund managers and contracting officers be beneficial in reducing the possibility of waste, and, if so, what areas should that training cover?

Scope of Research

This research was limited to an examination of available literature and an analysis of Air Force Systems Command (AFSC) contracting

officer's views. This limitation was necessary since the survey had to be tailored to account for the peculiar mission of AFSC in procuring future Air Force weapon systems. In addition, other Air Force officials, including Program Directors and Project Managers who do have significant input to the acquisition process, have been excluded since they may not legally bind the government on a contractual basis. It is the warranted contracting officer who is responsible for the actual obligation of government funds.

II. LITERATURE REVIEW

Possible Causes of Year-end Spending

A thesis written in 1981 by Melba Dyer of the Naval Postgraduate School identified five possible causes for year-end spending. Those cited include:

First, the most often-mentioned cause was Congressional control. Annual funding is a form of Congressional control. Annual funding requires that the manager obligate funds within the specific fiscal year. At the end of the fiscal year when a requisitioner is aware of an account balance, the requisitioner generally tries to obligate the funds for needed items and services before the funds expire. (3:35)

A second cause of year-end spending . . . is late appropriations and apportionments. In fiscal year 1982, for instance, Congress is three months late as of December 1981 in appropriating funds. After appropriation, a systems command, a type commander, or an activity may take several more months to apportion or allocate funds to requisitioners. Therefore, the time available for acquisition is decreased . . . in some cases the requisitioner receives annual funds by the fourth month of the fiscal year, leaving only eight months for the procurement planning and award actions which actually require nine months to complete. (3:36)

A third cause of year-end spending is the withholding of contingency funds. The people who apportion and are responsible for funds throughout the chain of command may each retain an amount for contingencies . . . At the end of the year, when the likelihood for emergencies is less, requisitioners obligate expiring funds for needed items and services" (3:37).

A fourth cause of spending . . . is the obligation of funds in order to avoid a budget cut the next year. If funds are not spent, Congress . . . may decrease the budgeted amount in a future year. (3:37)

A fifth cause of year-end spending is the complexity of DOD procurement, meaning the goods and services as well as the guidance. Not only may a complex procurement require quite some time to accomplish because of approval processes, but also during that time the environment may change. (3:37)

A second thesis written in 1981 by Air Force Institute of Technology students, Captain James Carroll and Captain Paul Hendler,

tends to support these as significant causes of year-end spending while organizing causes into three main areas. These were budget process characteristics, procurement process characteristics, and management practices. (4:17-20)

"The budget review process has created the perception that agencies which do not obligate all available funds will have future budgets reduced by an amount which is approximately equal to the amount of unobligated funds" (4:17). "The GAO made the following assessment of budget review practices: 'Under the current practices, agencies run the risk of having future appropriation requests reduced if large fund balances remain unobligated at the end of a prior fiscal year'" (4:17).

The procurement process itself is complex and must be considered. According to the cited AFIT thesis:

Characteristics of the procurement process also affect the year-end spending surge. For example, lengthy procurement negotiations can result in contract awards at year-end. For some contracts, the process of negotiating contract terms and prices may take up to six months or longer. If for any reason, negotiations for such contracts are delayed or interrupted, final agreement may occur at the end of the fiscal year. (4:18)

Management practices contributed to the problem as well, "Managers were found to be delaying procurement decisions either to allow more competition between proposed alternatives or to maintain a reserve of funds to meet possible emergencies . . . in some instances, managers were not aware of the impact of such actions on the procurement process" (4:19,20).

A 1980 report on "'Hurry-up' Spending" by the Senate Subcommittee on Oversight of Government Management made similar conclusions. According to the Ranking Minority Member, Senator William Cohen:

Federal program managers and budget personnel are faced with a Catch-22 situation. They're supposed to spend the public's money as carefully as possible, but if they plan effectively, budget prudently, spend less, and manage to return tax dollars to the Federal Treasury, they face the prospect of having their budgets slashed for the next year. There is simply no incentive for prudent management, no regard for the saving of tax dollars. The system is commonsense turned upside down. (11:10)

Harvard Business Review notes that "Democratic and Republican administrations alike encourage full spending by DOD because both Congress and the administration fear that anything less will create the impression that more money was appropriated than was needed" (5:05).

Impacts of Year-end Spending

The Senate Subcommittee report cited concluded that the waste, although a small percentage of total procurement money spent, was still enormous because of unneeded purchases and lack of competition. "The Subcommittee believes that hurry-up spending is costing the taxpayer at least two billion dollars each year" (11:7).

Air Force Times commented in May of 1984 on an unpublished OMB report which stated:

Defense components are not following Pentagon and OMB restrictions on year-end spending. The report does not identify any misspending, but shows Defense may have wasted money by trying to spend before funds reverted to the Treasury. Contracting officials, under pressure to fill orders by September 30, sometimes bent or ignored rules, was found. For example, a questionably urgent expense for carpeting was given high priority and immediately processed late in the month, the study found. (13:18)

The Air Force Times article citing the OMB report also noted, "One problem at least partly attributable to time constraints . . . is a drop in competition: 32 percent of the late-September contracts were competitive, vs. 40 percent for the full year" (13:15).

Each of the sources examined indicated that as a result of offices rushing to use funds, a large number of purchase requests had to be processed thereby increasing contracting officer's workload. This creates an environment where efficiency is likely to be lowered.

Mistakes are not made purposefully, but rather are the result of work performed hurriedly and with no time remaining for reconsideration. At the end of the year there are the same guidance, the same number of workers, but more work is to be done. In the words of one interviewee, ". . . the funnel does not get bigger." (3:41-42)

Policy Limitations.

As a result of Congressional concern, "a recurring general provision in DOD appropriation acts is designed to discourage heavy year-end spending by limiting the amount that may be spent in the last two months" (2:25). This language states, "Not more than 20 per centum of the appropriation in this Act which are limited for obligation during the current fiscal year shall be obligated during the last two months of the fiscal year" (2:25)

In addition to Congressional limitations, the individual agencies, including DOD, have implemented policies which discourage year-end spending. A January 1986 Office of the Secretary of Defense (OSD) memorandum to the service secretaries stated:

In order to address this situation, the following procedures will be observed:

- All . . . expiring funds will be planned for obligation not later than the end of the third quarter.
- Contract awards in July or August with expiring funds . . . should not occur except as the result of unplanned and uncontrollable events.
- No contract awards should occur in the last month of FY [fiscal year] 1986 with expiring funds from multiple year appropriations [funds which can be spent over more than one year] unless approved by the Comptroller of the Department or Agency. (8)

This action and the corresponding tighter restrictions implemented further down the chain of command are designed to limit year-end spending within the Air Force. "HQ AFSC year-end spending policy is: All contracts requiring a DD1279 [contract award press release] and which are planned for award on 15 September through 30 September using non-expiring funds, require HQ AFSC/CC approval prior to award" (9). This statement of policy is typical at each of the product divisions within AFSC and provides a reminder to contracting and program management officials annually.

Improvement Efforts

It appears that there may have been some improvement within the DOD already. Referring to fourth quarter funds, Industry Week reported that "In fiscal 1984 . . . DOD spent just 20 percent of its total. Comments an auditor at the General Accounting Office (GAO) . . . the Pentagon caught so much grief for wasteful year end spending in the late 1970s and early 1980s that 'they now have it down to a science'" (7:22). A September 1985 GAO report provides data showing that for fiscal years 1982 through 1984, DOD obligated 26 percent, 24 percent and 20 percent respectively (12:12).

Although the percent of dollars spent in the last quarter has decreased, there may still be problems related to year-end spending. Since year-end spending is not necessarily wasteful, these statistics may not provide an accurate assessment of waste potential. For example, policies which require spending earlier in the year shorten the already limited time for planning and procurement, and may not produce the desired waste reduction.

Justification for Additional Research

Currently available literature provides little information that would allow evaluation of policies implemented to reduce waste resulting from year-end spending. Although statistics are available which indicate dollar amounts obligated in each fiscal period, there is no currently available measure of the potential waste and reduction in waste that may have occurred due to policy changes. The literature reviewed generally agrees with respect to causes of year-end spending but does not address their relative impacts. Alternate policies (e.g., incentives and training programs) and their potential for reducing waste are not discussed. In addition, the examination of year-end spending causes by Dyer was limited to interviews of a small sample of contracting personnel and may not reflect the views of contracting personnel on a larger scale.

As stated by Charles Bowsher, Comptroller General:

Our nation faces many trying and critical challenges. Mounting deficits pose severe threats to our long term economic well being and threaten to undermine our ability to meet the needs of our citizens . . . It is . . . imperative that we achieve more efficient and effective government operations. The need for strong leadership and improved management systems has never been greater" (p.14).

Additional research can and should be accomplished to verify that policies have treated not only the symptoms of waste but lessen the amount of abuse and correspondingly increase the efficiency with which the taxpayers' dollars are spent.

III. METHODOLOGY

Justification of Approach

The population of contracting officers within Air Force Systems Command consists of 543 military and 2307 civilian officers at numerous locations across the United States. The use of a survey to gather data sufficient to answer the proposed investigative questions was necessary in order to gather sufficient data which would be representative and provide a sufficiently large sample for valid research.

A census of the military contracting officer population within AFSC product divisions was conducted in order to obtain a sample large enough to provide high confidence levels. Given the population size, in order to approach a 95 percent confidence level, 73 percent of the population would have to respond to the survey. Since initially it was expected that about 65 percent would reply, a census was the only means to approach the desired confidence levels. For a 90 percent confidence level, only 61 are required. In reality, of the 543 surveys mailed to military contracting officers, 228 were returned allowing estimates of greater than 90 percent confidence.

A random sample of civilian contracting officers was conducted with the objective of obtaining 400 valid returns and a minimum of 95 percent confidence. The process of selecting names for mailing consisted of several steps. First, using the Social Security Account Number (SSAN) 40 percent of the 2300 officers were selected from the names listed in the Air Force Civilian Personnel Center database. The randomness was accomplished by using a random number generator to provide numbers for the initial selection (0,4,6,7). This initial selection of 923 names

was further reduced by eliminating every third name. Thus the final mailing list consisted of 615 names. It was initially estimated that about 65 percent of surveys mailed would be returned for a final civilian sample size of 400 returned surveys. Of the 615 surveys mailed to civilians, 218 were returned and processed. As was the case with the military returns, the results allow estimates with greater than 90 percent confidence.

Survey Approval

The survey distributed was approved by the Air Force Military Personnel Center on 11 June 1987. However, based on direction from Headquarters Air Force Systems Command/MPRE, copies of the survey were forwarded to 15 different locations for review and coordination with local bargaining units before mailing to civilian employees. Approvals were received beginning 26 June with the last received on 17 July 1987. Most units required a minimum of 15 days after receipt for coordination with local bargaining units.

Survey Instrument Design

The survey was designed to answer the specific research questions cited in Chapter I. These were:

1. Do contracting officials agree with the causes identified in previous research and which of these is considered to be the most significant factor?
2. Do policies which implement earlier deadlines increase or decrease the potential for waste?
3. Are there other methods or policies which would provide better incentives for managers and contracting officials to minimize the unnecessary use of available government funds?
4. Would additional training of Air Force fund managers be beneficial in reducing the possibility of waste, and, if so, what areas should that training cover?

In order to answer these questions and allow analysis by demographic characteristic, a five section survey was developed which solicited demographic data first and then requested data related to the four research questions. These sections are explained further below. The actual survey mailed is included as Appendix A.

Qualification of Responding Individuals Detailed demographic data were required for this research in order to examine variations in perspective relative to contracting officer background. The initial questions in the survey allowed detailed categorization of contracting officer demographics. These included: primary AFSC or job series; rank and grade; years contracting experience; assigned organization; type of funds appropriation; and whether or not individuals are warranted contracting officers (as opposed to buyers or negotiators and staff or other title).

Causes of Year-end Spending Previous research cited in Chapter II indicated that there were five causes of year-end spending. This section of the survey was designed to verify the causes of year-end spending and allow prioritization of these causes. Additionally, an open-ended question allowed respondents to suggest additional causes and suggest where they might be ranked in conjunction with the causes previously noted.

Perceived Benefits and Problems of Policy Restrictions This area of the questionnaire was first structured to allow evaluation of the contracting officer's perspective of year-end actions, including whether or not there are any significant problems. Additionally, the effect of current policy restrictions as they apply to the individual's organization as well as determination of the awareness of such policies

was considered. Areas investigated included the following questions. Have restrictions which limit the amount of obligations in the last fiscal quarter been successful in the reduction of potential waste? Do the individuals perceive that the problems related to year-end spending are now encountered in the preceding quarter or has the obligation of funds and the associated workload been leveled to the point where no problem is perceived to exist? Does the large peak still occur in workload and/or spending at year-end? Has the policy encouraged or discouraged competition for contracts?

Potential for Improvement and Waste Prevention The next section of the survey was designed to provide the data necessary to determine the overall judgement of the contracting officer with respect to the need for additional waste prevention policies. Additionally, several open-ended questions were asked which allowed the contracting officers to input their suggestions for improvements without being forced into a structured format, since it was difficult to anticipate all responses.

Personnel Training The last section included questions designed to determine the adequacy of current training programs and consider what additional areas of training should be required. This section included both training adequacy and possible additional training for both program/fund managers and contracting officers.

Analysis

The survey data returned was summarized by category of the population characteristic and perception relative to the survey questions. This method allowed logical development of the contracting officer perspective relative to year-end spending. No hypothesis

testing was conducted due to the nature of the data gathered (ordinal at best) and the lack of a requirement to use statistical methods other than for summarization of the population characteristics on a proportional basis.

Limitations of Research

As previously noted, the survey will be restricted to contracting officers. However, other funds managers do have a significant impact both on the allocation of funds to projects and the decision to award contracts for a specific purpose. Because of the varied nature of the jobs these other fund managers hold and the limited time allowed for research, investigation of their perceptions is considered to be beyond the scope of this research.

IV. ANALYSIS AND FINDINGS

This chapter summarizes the results of this research. Demographic characteristics of the individuals surveyed and research questions one through four will be examined, corresponding to the order of investigation in the survey instrument (Appendix A).

Demographic Characteristics

Questions one through seven of the survey requested the individual to provide their Air Force Specialty Code (AFSC) or GS/GM series identifier; military rank or civilian grade; current organization assignment; responsibility area; number of years contracting experience; and identify the majority type of funds handled. These factors were used to analyze the areas of variation in contracting officer perspective for the remaining 31 survey questions.

AFSC Table 1 shows the AFSC or job series of those responding. Note that this table is not intended to provide information on the relative composition of contracting officers within the Air Force Systems Command. Since military and civilians were considered to be potentially different in primary characteristics, each was treated as a separate population (See Chapter III). As a result, differing percentages of the total populations were included and cannot be directly compared. To the 2307 civilians in the GS-1102 series, 615 surveys were mailed (28% of the civilian population) as compared to the census taken of military contracting officers. Thus, the intent of Table 1 is to reflect the composition of those actually responding and allow analysis of remaining questions. Inference can be made regarding the proportion of military in a particular AFSC relative to the military

population. For example, approximately 33 percent (74 of the 227) of the military contracting officer population are in the 6516 AFSC. Similar restrictions will apply to analysis and inferences made from each table for which civilian and military responses are aggregated.

Military AFSCs included in the survey include the Acquisition Contracting Officer AFSC (6534), Acquisition/Manufacturing Staff Officers (6516), and the Acquisition Contracting/Manufacturing Director (6596). The civilian Contract Specialist (GS-1102) series encompasses multiple function areas including contract administration, negotiation, manufacturing/production, and cost/price analysis. The "other" category shown includes those initially selected from the personnel database as GS-1102s but who identified themselves as Industrial Property Managers (GS-1103), Industrial Engineers (GM-896), and Supervisory Contract Specialists (GM-1102). Of the 29 individuals in this category, the majority were GM-1102s.

TABLE 1
AFSC OR JOB SERIES

Q1	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	8	.	.	.
6534	135	30.8	135	30.8
6516	74	16.9	209	47.7
6596	18	4.1	227	51.8
GS-1102	182	41.6	409	93.4
Other	29	6.6	438	100.0

Military Rank The military rank of those responding indicates that most (96.5 percent) do have more than two years service (required for promotion to 1Lt) with the largest group in the grade of captain. This particular factor was particularly useful in examining responses that varied by rank. Note that of those not answering, 211 persons may be assumed to be civil service employees and that this approximates the total number responding with a civilian grade.

TABLE 2
MILITARY RANK

Q2	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer*	218	.	.	.
2Lt	8	3.5	8	3.5
1Lt	26	11.4	34	14.9
Capt	97	42.5	131	57.5
Maj	51	22.4	182	79.8
Lt Col	28	12.3	210	92.1
Col	18	7.9	228	100.0

* Includes civilians.

Civilian Grade The majority of civilian contracting officers were in the grades GS-12 and GS/GM-13 (35.4 and 26.3 percent respectively). Table 3, below, summarizes the variation in civilian grade of those responding. Since this question relates only to civilians, the inference can be made that it does reflect the distribution of the civilian contracting officer grade structure within the Air Force Systems Command.

TABLE 3
CIVILIAN GRADE

Q3	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer*	237	.	.	.
GS-7	14	6.7	14	6.7
GS-9	11	5.3	25	12.0
GS-11	25	12.0	50	23.9
GS-12	74	35.4	124	59.3
GS/GM-13	55	26.3	179	85.6
GS/GM-14	23	11.0	202	96.7
GS/GM-15	7	3.3	209	100.0

* Includes military.

Assigned Organization Table 4 reflects the assigned organizations of contracting officers surveyed. The largest group was assigned to the Aeronautical Systems Division with 28 percent of those surveyed. The distribution of military and civilians with their organizational assignment can be seen in Table 5 which presents a cross tabulation of assigned organizations by the AFSC or Job Series at that organization. This table presents the information in terms of the actual frequency in the data, the percentage in a row and the percentage in a column (AFSC or series). Similar cross tabulations were performed for each of questions 8 through 38 and by each of the demographic variables.

TABLE 4

ASSIGNED ORGANIZATION

Q4	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	10	.	.	.
HQ AFSC	44	10.1	44	10.1
Space Division	22	9.6	86	19.7
Armament Division	21	4.8	107	24.5
Elect Systems Div	52	11.9	159	36.5
Aero Systems Div	122	28.0	281	64.4
Test Organization	8	1.8	289	66.3
Laboratory	7	1.6	296	67.9
AFPRO	55	12.6	351	80.5
HQ AFCMD	43	9.9	394	90.4
Other (Includes BMO)	42	9.6	436	100.0

TABLE 5
ASSIGNED ORGANIZATION BY AFSC OR JOB SERIES

Frequency Percent of Total Row Percent Col Percent						
	6534	6516	6596	GS-1102	Other	Total
HQ AFSC	/ 7 /	/ 13 /	/ 4 /	/ 15 /	/ 5 /	44
	/ 1.62 /	/ 3.00 /	/ 0.92 /	/ 3.46 /	/ 1.15 /	10.16
	/ 15.91 /	/ 29.55 /	/ 9.09 /	/ 34.09 /	/ 11.36 /	
	/ 5.19 /	/ 18.06 /	/ 23.53 /	/ 8.33 /	/ 17.24 /	
Space Division	/ 17 /	/ 6 /	/ 0 /	/ 16 /	/ 3 /	42
	/ 3.93 /	/ 1.39 /	/ 0.00 /	/ 3.70 /	/ 0.69 /	9.70
	/ 40.43 /	/ 14.29 /	/ 0.00 /	/ 38.10 /	/ 7.14 /	
	/ 12.59 /	/ 8.33 /	/ 0.00 /	/ 9.89 /	/ 10.34 /	
Armament Division	/ 4 /	/ 2 /	/ 0 /	/ 14 /	/ 1 /	21
	/ 0.92 /	/ 0.46 /	/ 0.00 /	/ 3.23 /	/ 0.23 /	4.85
	/ 19.05 /	/ 9.52 /	/ 0.00 /	/ 66.67 /	/ 4.76 /	
	/ 2.96 /	/ 2.78 /	/ 0.00 /	/ 7.78 /	/ 3.45 /	
Electronic Sys Div	/ 25 /	/ 8 /	/ 0 /	/ 17 /	/ 1 /	51
	/ 5.77 /	/ 1.85 /	/ 0.00 /	/ 3.93 /	/ 0.23 /	11.78
	/ 49.02 /	/ 15.69 /	/ 0.00 /	/ 33.33 /	/ 1.96 /	
	/ 18.52 /	/ 11.11 /	/ 0.00 /	/ 9.44 /	/ 3.45 /	
Aeronautical Sys	/ 44 /	/ 21 /	/ 5 /	/ 48 /	/ 4 /	122
	/ 10.16 /	/ 4.85 /	/ 1.15 /	/ 11.09 /	/ 0.92 /	28.18
	/ 36.07 /	/ 17.21 /	/ 4.10 /	/ 39.34 /	/ 3.29 /	
	/ 32.59 /	/ 29.17 /	/ 29.41 /	/ 26.67 /	/ 13.79 /	
Test Organization	/ 2 /	/ 1 /	/ 1 /	/ 3 /	/ 1 /	8
	/ 0.46 /	/ 0.23 /	/ 0.23 /	/ 0.69 /	/ 0.23 /	1.35
	/ 25.00 /	/ 12.50 /	/ 12.50 /	/ 37.50 /	/ 12.50 /	
	/ 1.48 /	/ 1.39 /	/ 5.88 /	/ 1.67 /	/ 3.45 /	
Laboratory	/ 1 /	/ 0 /	/ 0 /	/ 6 /	/ 0 /	7
	/ 0.23 /	/ 0.00 /	/ 0.00 /	/ 1.39 /	/ 0.00 /	1.62
	/ 14.29 /	/ 0.00 /	/ 0.00 /	/ 85.71 /	/ 0.00 /	
	/ 0.74 /	/ 0.00 /	/ 0.00 /	/ 3.33 /	/ 0.00 /	
AFPRO	/ 16 /	/ 8 /	/ 2 /	/ 24 /	/ 5 /	55
	/ 3.70 /	/ 1.85 /	/ 0.46 /	/ 5.54 /	/ 1.15 /	12.70
	/ 29.09 /	/ 14.55 /	/ 3.54 /	/ 43.64 /	/ 9.09 /	
	/ 11.95 /	/ 11.11 /	/ 11.76 /	/ 13.33 /	/ 17.24 /	
HQ AFCMD	/ 11 /	/ 7 /	/ 4 /	/ 16 /	/ 4 /	42
	/ 2.54 /	/ 1.62 /	/ 0.92 /	/ 3.70 /	/ 0.92 /	9.70
	/ 26.19 /	/ 16.67 /	/ 9.52 /	/ 38.10 /	/ 9.52 /	
	/ 8.15 /	/ 9.72 /	/ 23.53 /	/ 8.89 /	/ 13.79 /	
Other (Includes BMO)	/ 8 /	/ 6 /	/ 1 /	/ 21 /	/ 5 /	41
	/ 1.85 /	/ 1.39 /	/ 0.23 /	/ 4.85 /	/ 1.15 /	9.47
	/ 19.51 /	/ 14.63 /	/ 2.44 /	/ 51.22 /	/ 12.20 /	
	/ 5.93 /	/ 3.33 /	/ 5.88 /	/ 11.67 /	/ 17.24 /	
Total Number	135	72	17	180	29	433
Percent	31.18	16.63	3.93	41.57	6.70	100.00

Primary Responsibility Approximately 21 percent indicated they were warranted contracting officers while an additional 29.6 percent responded as buyers. Almost 30 percent indicated they had other titles which were not necessarily unrelated to the buying/contracting job. These ranged from negotiator to Deputy for Contracts. Therefore, inference about staff versus "line" contracting positions should be limited specifically to those identified as staff in Table 6 below. This information was examined in each of the later questions relative to the contracting officer's perspective.

TABLE 6
PRIMARY RESPONSIBILITY

Q5	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	31	.	.	.
Warranted CO	86	20.7	86	20.7
Buyer	123	29.6	209	50.4
Staff Duties	83	20.0	292	70.4
Other Title	123	29.6	415	100.0

Contracting Experience The officers surveyed do have significant levels of experience. About 56 percent had 7 or more years experience. Almost 40 percent had more than 10 years contracting experience. (See table 7 below.)

A cross tabulation by question number one, AFSC or Job Series, reveals a much higher percentage of military with less than 2 years experience than those in the civilian specialty. Approximately seven percent of GS-1102s had less than 2 years experience as compared to 20 percent for the combined military AFSCs.

If similar groupings are made for the remaining categories, differences in contracting experience become more apparent. Table 8 illustrates the differences in experience levels. If all military AFSCs are aggregated, in a similar fashion to the single grouping of GS-1102s, it can be seen that more than half of the civilian contracting officer force (99 of 178) has over 10 years experience while only 24 percent of the military (55 of 226) have an equivalent level of experience.

TABLE 7
YEARS CONTRACTING EXPERIENCE

Q6	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	8	.	.	.
Two or Less	60	13.7	60	13.7
Three or Four	78	17.8	138	31.5
Five or Six	55	12.6	193	44.1
Seven thru Nine	71	16.2	264	60.3
Ten or More	174	39.7	438	100.0

TABLE 8

YEARS CONTRACTING EXPERIENCE BY AFSC & JOB SERIES

Frequency						
Percent of Total						
Row Percent						
Col Percent						
	6534	6516	6596	GS-1102	Other	Total
Two or Less	/ 40 /	/ 5 /	/ 0 /	/ 12 /	/ 2 /	59
	/ 9.24 /	/ 1.15 /	/ 0.00 /	/ 2.77 /	/ 0.46 /	13.63
	/ 67.80 /	/ 8.47 /	/ 0.00 /	/ 20.34 /	/ 3.39 /	
	/ 29.85 /	/ 6.76 /	/ 0.00 /	/ 6.74 /	/ 6.90 /	
Three or Four	/ 44 /	/ 13 /	/ 1 /	/ 19 /	/ 1 /	78
	/ 10.16 /	/ 3.00 /	/ 0.23 /	/ 4.39 /	/ 0.23 /	18.01
	/ 56.41 /	/ 16.67 /	/ 1.28 /	/ 24.36 /	/ 1.28 /	
	/ 32.84 /	/ 17.57 /	/ 5.56 /	/ 10.67 /	/ 3.45 /	
Five or Six	/ 17 /	/ 8 /	/ 2 /	/ 22 /	/ 3 /	52
	/ 3.93 /	/ 1.85 /	/ 0.46 /	/ 5.08 /	/ 0.69 /	12.01
	/ 32.69 /	/ 15.38 /	/ 3.85 /	/ 42.31 /	/ 5.77 /	
	/ 12.69 /	/ 10.81 /	/ 11.11 /	/ 12.36 /	/ 10.34 /	
Seven thru Nine	/ 24 /	/ 14 /	/ 3 /	/ 26 /	/ 4 /	71
	/ 5.54 /	/ 3.23 /	/ 0.69 /	/ 6.00 /	/ 0.92 /	16.40
	/ 33.80 /	/ 19.72 /	/ 4.23 /	/ 36.62 /	/ 5.63 /	
	/ 17.91 /	/ 18.92 /	/ 16.67 /	/ 14.61 /	/ 13.79 /	
Ten or More	/ 9 /	/ 34 /	/ 12 /	/ 99 /	/ 19 /	173
	/ 2.08 /	/ 7.85 /	/ 2.77 /	/ 22.86 /	/ 4.39 /	39.95
	/ 5.20 /	/ 19.65 /	/ 6.94 /	/ 57.23 /	/ 10.98 /	
	/ 6.72 /	/ 45.95 /	/ 66.67 /	/ 55.62 /	/ 65.52 /	
Total Number	134	74	18	173	29	433
Percent	30.95	17.09	4.16	41.11	6.70	100.00

Majority Fund Appropriation Responses to question seven indicate that the largest group was involved in obligating two-year research and development funding. The next largest group was involved in aircraft procurement. The data does not provide information relative to the dollar value of Air Force Systems Command funds, only the appropriations applicable to the assigned contracting activities. The responses were useful in examining the reasons for variation in perspective, especially with respect to operations and maintenance (3400) funds and problems unique to one-year appropriations. Table 9 provides a summary of responses.

TABLE 9
MAJORITY FUND APPROPRIATION

Q7	Frequency	Cumulative Percent	Cumulative Frequency	Cumulative Percent
No Answer	7	.	.	.
R&D	168	38.3	168	38.3
Aircraft Procurement	86	19.6	254	57.9
Missile Procurement	29	6.6	283	64.5
Other Procurement	24	5.5	307	69.9
O&M	24	5.5	331	75.4
Not Involved	95	21.6	426	97.0
Other or Unknown	13	3.0	439	100.0

Research Question One

Do contracting officials agree with the causes identified in previous research (See Chapter II) and which of these is considered to be the most significant factor? The following sections examine the contracting official's perspective regarding this question. Survey questions eight through 15 asked the participant to rank order the five causes noted below and allowed identification and ranking of any additional causes not identified in the questionnaire. This ranking was made by determining the

mean rank for each factor (summation of frequency x rank/number responding) and ordering from lowest to highest mean rank. The five causes will be discussed in the order ranked using this method.

First ranked, as a cause of year-end spending with a mean rank of 2.43, was the perceived need to obligate before funds expire. The practical necessity of using funds while available is related to the time needed to obligate funds which may not be much less than the window of availability. In the words of one survey respondent,

The problem starts with Congress. They usually spend 2 - 3 months [working] out a budget at the beginning of the fiscal year. This throws the budgeting process in a quandry. . . . Purchase requests usually don't filter into the contracts shop until the February - March time-frame. If award in September takes an act of God, this leaves only 5 - 6 months to put a Request for Proposal out and award a contract. Even for small dollar value [contracts] . . . this is a tight contracting schedule.

These tight contracting schedules and the short time before funds expiration may cause obligations to fall in the last quarter of the fiscal year. (See table 10.)

TABLE 10
NEED TO OBLIGATE BEFORE EXPIRATION

Q10	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	4	.	.	.
First	128	29.0	128	29.0
Second	119	26.9	247	55.9
Third	103	23.3	350	79.2
Fourth	62	14.0	412	93.2
Fifth	30	6.8	442	100.0

Second ranked, with a mean rank of 2.75, was the complexity of Department of Defense (DOD) procurement, including the organizational and operating environment as well as the goods and services procured.

Note that the order of ranking will change if only the percentage for first is considered. This factor was ranked first by 29.6 percent, slightly higher than the 29.0 percent ranking for the need to obligate before expiration of funds. Therefore, although ranked second on the basis of the mean, the first two causes may be considered to be nearly equal and both highly significant causes. See table 11 below.

TABLE 11
COMPLEXITY OF DOD PROCUREMENT

Q12	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	3	.	.	.
First	131	29.6	131	29.6
Second	75	16.9	206	46.5
Third	89	20.1	295	66.6
Fourth	69	15.6	364	82.2
Fifth	79	17.8	443	100.0

Third ranked was the need to obligate all current funds and thereby prevent budget cuts in the next year. This factor followed the complexity of the DOD procurement closely, with a mean rank of 2.85, as compared to 2.75 for complexity.

This question was distinguished from the first ranked "need to obligate before expiration" primarily by the budget cut motivation. The concern from the contracting officer's perspective apparently is based more on the practical needs in acquisition and contracting -- not on what is potentially seen as a defensive move to avoid budget cuts. Table 12 below provides the summary of responses.

TABLE 12
NEED TO OBLIGATE TO PREVENT BUDGET CUTS

Q11	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	4	.	.	.
First	104	23.5	104	23.5
Second	109	24.7	213	48.2
Third	65	14.7	278	62.9
Fourth	77	17.4	355	80.3
Fifth	87	19.7	442	100.0

Fourth in importance was the late receipt of contingency funds no longer needed by other programs. The computed mean ranking for this factor was 3.34. These funds, identified late in the year as excess to another program or project, may allow insufficient time to actually complete obligation. See Table 13 below.

TABLE 13
LATE RECEIPT OF CONTINGENCY FUNDS

Q8	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	5	.	.	.
First	48	10.9	48	10.9
Second	63	15.4	116	26.3
Third	111	25.2	227	51.5
Fourth	116	26.3	343	77.8
Fifth	98	22.2	441	100.0

Last ranked, with a mean rank of 3.43, was the late budget approval by Congress. Particularly significant in this low ranking, compared to other factors, is the fact that although Congress typically does not approve the budget until the budget year has begun, other factors are perceived to play a more important role, regardless of verbal comments

received in response to open ended questions which tend to lay the initial blame on the Congress.

TABLE 14
LATE BUDGET APPROVAL BY CONGRESS

Q9	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	6	.	.	.
First	65	14.8	65	14.8
Second	67	15.2	132	30.0
Third	67	15.2	199	45.2
Fourth	97	22.0	296	67.3
Fifth	144	32.7	440	100.0

Approximately 25 percent of the respondents identified other important additional causes for year-end spending. A large portion of these comments related to a lack of planning on the part of program/project management. Next in frequency of remarks were references to requirements. These included changes in program content, uncertain or poorly documented contract requirements and late identification of these requirements to the contracting office. Other factors mentioned included: complexity of procurement and lack of knowledge regarding leadtimes required for contracting; withholding of funds by Congress or higher headquarters, including the practice of issuing funds quarterly (e.g., Operations and Maintenance), and late receipt of funds; authorization and approval processes prior to contract award; hoarding or holding of funds until managers are certain they are not required; and contractor awareness of year-end policy and a reluctance to negotiate lower prices. Also included were lack of adequate manpower, administrative reporting burdens, and a lack of prioritized requirements.

These additional causes were typically ranked first or second. Forty-two percent ranked their cause first, 33 percent ranked their causes between first and second, 19 percent ranked their cause between second and third, while the remaining 6 percent ranked lower. It was not possible to correlate specific variables to a particular rank due to the large number and variation of verbal comments received.

Research Question Two

Do contracting officers feel that policies which implement earlier deadlines decrease the potential for waste? Additionally, included in the survey were questions intended to determine the nature and extent of problems related to year-end obligation of funds. Each of these areas are explored in the order addressed in the questionnaire.

The first question in this section of the survey was intended to ascertain whether there really is a problem, from the contracting officer's perspective, in obligating funds near the end of the fiscal year. The question did not define the word "problem" in advance in order that the question not be limited to any one narrow area of year-end activities.

Responses show that a total of 64.3 percent of those surveyed disagree with the statement that there is not a problem. Of those in disagreement, 28.4 percent strongly disagree. Table 15 provides a summary of responses to question 16.

TABLE 15
YEAR-END OBLIGATION NOT A PROBLEM

Q16	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	6	.	.	.
Strongly Agree	33	7.5	33	7.5
Agree	71	16.1	104	23.6
Neither Agree or Disagree	53	12.0	157	35.7
Disagree	158	35.9	315	71.6
Strongly Disagree	125	28.4	440	100.0

Cross tabulations by organization varied in the proportion who disagreed from 42 percent (test organizations) to 80 percent (a product division). This may be related to the organizational mission and type of funds handled. For example, aircraft procurement and missile procurement showed the lowest disagreement of 59 and 61 percent respectively. "Other" procurement and operations and maintenance appropriation breakouts were higher at 71 and 79 percent. Thus, the mission of the procuring organization and type of funds handled may be related factors. This study did not attempt to investigate this relationship.

There was little difference in response between military and civilian contracting officers. Of the military, 32.6 percent disagreed and 31.2 disagreed strongly -- a total of 63.8 percent. For civilians (GS-1102), 37.4 percent disagreed and 26.8 disagreed strongly -- a total of 64.2 percent.

Question 17 was designed to determine if contracting officers are familiar with policies which limit obligation of funds near year-end. Responses indicated that 83.2 percent contracting officers were

familiar with these restrictions. Only 5.7 percent disagreed, and of that portion, less than one percent disagreed strongly (Table 16).

TABLE 16
CONTRACTING OFFICERS ARE FAMILIAR WITH YEAR-END POLICY

Q17	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	5	.	.	.
Stongly Agree	125	28.3	125	28.3
Agree	242	54.9	367	83.2
Neither Agree or Disagree	49	11.1	416	94.3
Disagree	23	5.2	439	99.5
Strongly Disagree	2	.5	441	100.0

Slightly over sixty percent responded that their organization does impose added limitations on year-end obligation of funds. Twenty-two percent (22.3) indicated that their organization does not impose additional policy restrictions while about 17 percent did not know (Table 17). Cross tabulation by assigned organization reveals that, within the product divisions and laboratories, from 10 to 17 percent were unsure as to whether their own organization added additional limitations and an additional 10 to 20 percent at each of the product divisions felt their organization did not impose limitations. If the assumption is made that the product divisions do impose some form of procedural or time limitations, a logical inference is that approximately 20 to 25 percent (if the latter two groups are combined) are not aware of these limits. An individual examination of these policies at each location would be necessary to determine if there is in fact misunderstanding or failure to communicate local organization policies.

TABLE 17
ORGANIZATION IMPOSES ADDED LIMITS

Q18	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	3	.	.	.
Yes	269	60.7	269	60.7
No	99	22.3	368	83.1
Unknown	75	16.9	443	100.0

The next item in the survey states that policies which require early obligation of funds are effective in reducing the potential for waste. Responses indicate that 52.1 percent disagree. Only 27.9 percent agree that the policies are effective in reducing the potential for waste (Table 18).

TABLE 18
POLICY REDUCES POTENTIAL WASTE

Q19	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	5	.	.	.
Strongly Agree	30	6.8	30	6.8
Agree	93	21.1	123	27.9
Neither Agree or Disagree	88	20.0	211	47.8
Disagree	140	31.7	351	79.6
Strongly Disagree	90	20.4	441	100.0

There was no significant variation between military and civilian responses. For civilians 52.2 percent disagreed while for the military, 52.7 percent disagreed. The most significant breakout by demographic factors was by majority fund appropriation. Approximately 45 percent of those handling Operations and Maintenance funds indicate the policies were effective while only 30 percent disagree.

Determination of the effect of policy restrictions on other appropriations where the monies may be obligated over more than one year and which are not expiring was the intent of question 20. The perception of about 45 percent is that there is a secondary impact which tends to restrict the obligation of non-expiring funds (Table 19). This may be related to workload or other factors which make all obligation of funds near year-end more difficult. If expiring funds receive priority in the contracting process, other efforts must be temporarily set aside.

TABLE 19
RESTRICTIONS LIMIT NON-EXPIRING FUNDS

Q20	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	10	.	.	.
Strongly Agree	53	12.2	53	12.2
Agree	145	33.3	198	45.4
Neither Agree or Disagree	166	38.1	364	83.5
Disagree	57	13.1	421	96.6
Strongly Disagree	15	3.4	436	100.0

Questions 21 and 22 were designed to determine if contracting officers feel pressured into obligating funds for unnecessary or questionable items and low priority items at year-end. Question 21 asks for a response to the statement that contracting officers are not pressured into obligating funds for unnecessary or questionable items near the end of the fiscal year. The data shows that 31.4 percent agree while 49.5 percent disagree (Table 20).

TABLE 20
NOT PRESSURED FOR UNNECESSARY ITEMS

Q21	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	9	.	.	.
Strongly Agree	45	10.3	45	10.3
Agree	92	21.1	137	31.4
Neither Agree or Disagree	84	19.2	221	50.6
Disagree	141	32.3	362	82.8
Strongly Disagree	75	17.2	437	100.0

Variations were found first by civilian grade and military rank. The higher grades tended to agree more that contracting officers were not pressured. For example, of those in civilian grades GS/GM-14/15, 50 percent agreed while for the grades GS-11/12/13, 30.8 percent agreed. Several explanations for this variation are possible. First, higher level personnel may be somewhat defensive of their position and the direction given to subordinates. In addition, higher grade personnel may also be somewhat more isolated from routine contracting activities and therefore have a different perspective.

These variations were also seen with a cross tabulation by AFSC and Job Series. By AFSC, 25 percent in AFSC 6534 (acquisition/contracting officers) agreed, 33.8 percent of 6516s (acquisition/manufacturing staff officers) agreed, and 66.7 percent of 6596s (acquisition contracting/manufacturing directors) agreed. These AFSCs correspond with increased rank. A similar examination was not possible for civilian respondents since all civilians are lumped into the GS-1102 series and the job series does not change with the attainment of higher grades.

A cross tabulation by fund type showed that R&D, aircraft and missile procurement showed the least pressure while O&M was the highest with 66.7 percent in disagreement. Two-thirds of the personnel handling primarily O&M funds indicated they were pressured to obligate funds for unnecessary or questionable items. This is likely to be related to the strict one year period available for obligation of O&M funds (unlike the R&D and procurement appropriations), and the difference in the items procured (base support versus research or weapon system procurement).

In response to the statement that contracting officers are not pressured into acquiring low priority items late in the fiscal year (Question 22), 45.9 percent believed that contracting officers are pressured into acquiring low priority items at the end of the year (Table 21). Consistent with findings for questions 21, variations with respect to grade and rank, as well as appropriation were found. For example, 62.5 percent using primarily O&M funds indicated there was pressure to acquire low priority items late in the year.

TABLE 21
NOT PRESSURED FOR LOW PRIORITY ITEMS

Q22	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	16	.	.	.
Strongly Agree	36	8.4	36	8.4
Agree	95	22.1	131	30.5
Neither Agree or Disagree	102	23.7	233	54.2
Disagree	146	34.0	379	88.1
Strongly Disagree	51	11.9	430	100.0

The next five questions in the survey addressed the more significant potential causes of waste, as contrasted with the causes of year-end spending which are not necessarily wasteful. Of the five

previously cited potential causes of waste (Chapter II), by far the most significant from the perspective of the contracting officers is the shortage of manpower (68.9 percent agree) followed closely by hurried negotiation (65.7 percent). The remaining items, as ranked by participant agreement with their significance, were purchase of very low priority or unneeded items (39 percent), lack of competition (30.4 percent), and administrative error (18.8 percent). For a summary of survey responses, see Tables 22 - 26.

TABLE 22
ADMINISTRATIVE ERROR SIGNIFICANT

Q23	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	14	.	.	.
Strongly Agree	9	2.1	9	2.1
Agree	72	16.7	81	18.8
Neither Agree or Disagree	118	27.3	199	46.1
Disagree	190	44.0	389	90.0
Strongly Disagree	43	10.0	432	100.0

TABLE 23
LACK OF COMPETITION SIGNIFICANT

Q24	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	3	.	.	.
Strongly Agree	21	4.7	21	4.7
Agree	114	25.7	135	30.5
Neither Agree or Disagree	90	20.3	225	50.8
Disagree	163	36.8	388	87.6
Strongly Disagree	55	12.4	443	100.0

TABLE 24
HURRIED NEGOTIATION SIGNIFICANT

Q25	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	3	.	.	.
Strongly Agree	73	16.5	73	16.5
Agree	218	49.2	291	65.7
Neither Agree or Disagree	60	13.5	351	79.2
Disagree	73	16.5	424	95.7
Strongly Disagree	19	4.3	443	100.0

TABLE 25
PURCHASE OF LOW PRIORITY ITEMS SIGNIFICANT

Q26	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	3	.	.	.
Strongly Agree	33	7.4	33	7.4
Agree	140	31.6	173	39.1
Neither Agree or Disagree	121	27.3	294	66.4
Disagree	121	27.3	415	93.7
Strongly Disagree	28	6.3	443	100.0

TABLE 26
SHORTAGE OF MANPOWER SIGNIFICANT

Q27	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	5	.	.	.
Strongly Agree	113	25.6	113	25.6
Agree	191	43.3	304	68.9
Neither Agree or Disagree	60	13.6	364	82.5
Disagree	63	14.3	427	96.8
Strongly Disagree	14	3.2	441	100.0

Survey question 28 asked participants to identify any other important factor which increases the potential for waste. Verbal answers given tended to repeat the responses in question 14 regarding causes of year-end spending. The pressure to obligate for fear of losing follow-on budgets and the corresponding lack of saving incentive were most frequently mentioned. Manpower shortages, lack of clerical help, training and the inability to understand the schedules necessary for procurement were also considered important. These personnel-related factors may indirectly lead to the lack of planning and failure to provide valid requirements on time to the contracting office. Other items mentioned included the micromanagement by Congress and higher levels, approval delays, shortened schedules due to policy restrictions, and uncertainty of program/project funds. Two of those responding indicated that year-end spending was a "myth" and not significant.

Question 29 explored the contracting officers' perspective as to whether it is their responsibility to make judgments regarding the necessity of purchases or funds obligated. Although not perceived as having a direct impact on current policies, the perception of "who's responsible" could make policies more or less effective both now and in the future.

The results show a polarization of views regarding this question. While 45.8 percent agree, 39.1 percent disagree (Table 21). One explanation of this polarization is that the contracting officer's role in these areas is not well defined. Moreover, if the contracting officer's responsibility is vague, it may be that once a requirement is written there may be conflict within the contracting ranks as to whether the requirement should be challenged. Although some technical

requirements may be beyond the ability of contracting officers to question, those that are not may go unchallenged because of the lack of a clearly defined role.

TABLE 27
CONTRACTING OFFICERS' RESPONSIBILITY TO JUDGE

Q29	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	2	.	.	.
Strongly Agree	58	13.1	58	13.1
Agree	145	32.7	203	45.7
Neither Agree or Disagree	72	16.2	275	61.9
Disagree	125	28.2	400	90.1
Strongly Disagree	44	9.9	444	100.0

The next two questions, 30 and 31 were included to gather data relative to workload increases and whether or not they are perceived to be manageable with current personnel forces. Twenty-three percent reported a workload increase in the third quarter sufficient to cause problems. For the fourth quarter, the percentage nearly doubles to 41.8 percent.

TABLE 28
THIRD QUARTER WORKLOAD INCREASE

Q30	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	7	.	.	.
No Increase	79	18.0	79	18.0
Only a Small Amount	105	23.9	184	41.9
Significant but Manageable	154	35.1	338	77.0
Causes Workload Problems	101	23.0	439	100.0

TABLE 29
FOURTH QUARTER WORKLOAD INCREASE

Q31	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	8	.	.	.
No Increase	55	12.6	55	12.6
Only a Small Amount	80	18.3	135	30.8
Significant but Manageable	120	27.4	255	58.2
Causes Workload Problems	183	41.8	438	100.0

Research Question Three

Are there other methods or policies which would provide better incentives for managers and contracting officials to minimize the unnecessary use of government funds? Survey questions 32 - 34 are considered along with relevant information from question 39 to suggest methods of improvement based on input received.

Responses to the statement, "Use of expired unobligated funds for purchase of low priority items (LPI) after the end of the fiscal year would be beneficial" showed that 61.4 percent agreed (Table 30). Although such a procedure would require regulatory changes, it would allow more time to complete necessary contract actions including negotiations. Requirements might be consolidated, additional time would be provided to insure competition, and workload impacts would be lessened.

TABLE 30

EXPIRED FUNDS FOR LOW PRIORITY ITEMS BENEFICIAL

Q32	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	6	.	.	.
Strongly Agree	77	17.5	77	17.5
Agree	193	43.9	270	61.4
Neither Agree or Disagree	112	25.5	382	86.8
Disagree	48	10.9	430	97.7
Strongly Disagree	10	2.3	440	100.0

Question 33 asked, "If you were guaranteed that you (or the Program/Fund Manager) would receive funding at least equal to the portion returned unused in this fiscal year, what percentage of the yearly budget could be returned?" The intent of this question was to determine what could be returned on a one-time basis. However, with 61 percent not responding to the questions, only limited conclusions can be drawn (Table 31).

Potentially, if program/fund managers felt that it was not difficult to obtain money if risks materialized, they might release a portion of "management reserve" funds. Such releases could be credited to an account and might be used as an insurance policy for contingencies. With the current emphasis on preventing overruns, risk or management reserve funds must be held until late in the year. If rewards were provided in the form of recognition or award, such a method might provide some of the incentive needed to spend less than the budgeted amounts. However, since this study did not consider the question from the program manager's perspective, it is not possible to predict whether such a method would be useful under the environment encountered by the program or resource manager.

A similar plan to share savings is currently being investigated by the Office of Management and Budget.

The House Appropriations Subcommittee that handles Treasury-Postal-General funding has included a provision in its FY 1988 bill that would allow shared savings to be tested in the executive branch . . . using "an experimental format for three years under Congressional oversight and review" (1).

The plan proposed differs from that in the previous paragraph in that the bill would allow "the sharing of any productivity gains with federal agencies and their employees in accord with guidelines determined by the President" (1). The method proposed in the previous paragraph would only allow program managers to obtain recognition for money saved and reduce management risk in the future by returning currently available funds. Additional assessments could be made of these and other potential incentives and how program and fund managers would react to them.

TABLE 31

HOW MUCH COULD BE RETURNED

Q33	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	6	.	.	.
None/Very Small	50	11.4	50	11.4
Less than Two Percent	13	3.0	62	14.3
Two to Five Percent	32	7.3	95	21.6
Six to Ten Percent	43	9.8	136	31.4
Greater than 10 Percent	33	7.5	171	38.9
Do Not Know	269	61.1	440	100.0

Responses to question 34 indicate that contracting officers are apparently divided on the effects of two-year budgets. Approximately 39 percent answered that two-year budgets would provide better budget information and reduce the need to obligate current year funds since

there is no reason to protect a budget. About 27 percent felt two-year budgets would provide better information but have little impact relative to complete obligation of funds to avoid budget cuts since reallocation or reprogramming of funds can still take place. The remainder, approximately 34 percent did not know enough to estimate the impact (Table 32).

TABLE 32
TWO-YEAR BUDGETS WOULD:

Q34	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	13	.	.	.
Reduce the Need to Obligate	169	39.0	169	39.0
Have Little Impact	115	26.6	284	65.6
Do Not Know	149	34.4	433	100.0

Comments received relative to improving the process in answer to the open ended questions in the survey included suggestions to: (a.) Remove the time limit on obligations provided a commitment is made during the fiscal year; (b.) Increase use of two-year budgets; and (c.) Increase use of multi-year or no-year funding. Although comments were not specific enough to recommend development of any one alternative, most were concerned that there is little incentive for managers to save. Other comments indicated that policies currently in force for Air Force Systems Command may be more applicable to base procurements, especially in other operational major commands, since much of the funding handled within the Air Force Systems Command is of the R&D and procurement appropriations which may be obligated over periods longer than one year.

One of the most significant comments came from a captain working as the deputy for base contracts who said, "I find the whole year-end

experience manageable because I have support from my superiors to set deadlines and say 'NO' to unnecessary late purchase requests". Whether similar procedures should or could be used in other procurement offices will remain open to debate.

Research Question Four

Would additional training of Air Force Systems Command fund managers or contracting officers be beneficial in reducing the possibility of waste, and, if so, what areas should that training cover? Survey questions 35 - 38 specifically addressed this issue.

The results show that 33.5 percent favor additional training, relative to year-end spending problems and issues, for contracting officers while 53.1 percent favor additional training for program/fund managers (Tables 33 - 34).

TABLE 33
TRAINING OF THE CONTRACTING OFFICER IS ADEQUATE

Q35	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	7	.	.	.
Strongly Agree	23	5.2	23	5.2
Agree	147	33.5	170	38.7
Neither Agree or Disagree	122	27.8	292	66.5
Disagree	123	28.0	415	94.5
Strongly Disagree	24	5.5	439	100.0

TABLE 34

TRAINING OF THE PROGRAM MANAGER IS ADEQUATE

Q36	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	17	.	.	.
Strongly Agree	11	2.6	11	2.6
Agree	70	16.3	81	18.9
Neither Agree or Disagree	120	28.0	201	46.9
Disagree	164	38.2	365	85.1
Strongly Disagree	64	14.9	429	100.0

The additional training recommended for program/project management personnel and funds managers was primarily in the area of contracting procedures and schedules (58.1 percent). The next highest rated area for training of program/project personnel was a familiarization with current policies restricting year-end obligation of funds (Table 35).

Additional training desired by contracting officers was budget and financial (33.4 percent), with year-end policies, contracting procedures and schedules, and legal restrictions following in that order (Table 36).

Although very few added comments in the space provided in both questions 37 and 38, most who did noted that all of the above should be required for both contracting officers and project management personnel. Additional areas noted were "fact finding" techniques used to obtain information necessary for contract negotiation and cost/price analysis.

TABLE 35

ADDITIONAL TRAINING FOR THE PROGRAM MANAGER

Q37	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	28	.	.	.
Budget and Financial	28	6.7	28	6.7
Procedures/Schedules	243	58.1	271	64.8
Legal Restrictions	41	9.8	312	74.6
Current Year-End Policies	30	19.1	392	93.8
Other	26	6.2	418	100.0

TABLE 36

ADDITIONAL TRAINING FOR THE CONTRACTING OFFICER

Q38	Frequency	Percent	Cumulative Frequency	Cumulative Percent
No Answer	30	.	.	.
Budget and Financial	139	33.4	139	33.4
Procedures/Schedules	78	18.8	217	52.2
Legal Restrictions	70	16.8	287	69.0
Current Year-End Policies	101	24.3	388	93.3
Other	28	6.7	416	100.0

Conclusion

This chapter has summarized the information received from the survey of civilian and military contracting officers with the Air Force Systems Command. The following chapter will provide conclusions and recommendations for further investigation.

V. CONCLUSIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

Introduction

This chapter presents the answers to the four research questions presented in Chapter One. Each of the four questions will be considered with the conclusions which may be drawn based on the data available from this study. Additionally, the implications of these answers for future policy decisions will be considered and areas for further research suggested.

Research Question One

Do contracting officials agree with the causes identified in previous research and which of these is considered to be the most important?

In general, the survey participants did agree with the causes of year-end spending identified in previous research. The five causes, as ranked in this study were: (1) the need to obligate before expiration of funds; (2) the complexity of DOD procurement, including the organizational and operating environment as well as the goods and services procured; (3) the need to obligate all funds in order to avoid future budget cuts; (4) the late receipt of contingency funds; and (5) late budget approval by the Congress. The fact that late budget approval was ranked fifth is particularly significant when considered in light of verbal comments which tended to blame the Congress first. In any case, the first several causes were closely ranked and appear to be interrelated.

Additionally, about 25 percent of the respondents identified additional causes for year-end spending. The largest portion of these comments related to the need for better planning on the part of program and project managers. Also considered important were frequently changing or poorly defined requirements, lack of knowledge regarding contracting processes and schedule leadtimes, and delays in receipt of required funds.

Research Question Two

Do contracting officers feel that policies which implement earlier deadlines decrease the potential for waste?

Over 50 percent of those responding felt that current policies do not reduce the potential for waste. Over 60 percent indicated that there were problems in year-end obligation of funds. The "typical" officer in this study also felt that there is some pressure to obligate funds for low priority items and almost 50 percent indicated there was pressure to obligate funds for unnecessary items.

With regard to causes of waste, the most significant was the requirement to hurry negotiations before the end of the fiscal year. Workloads did increase enough to cause management problems and manpower shortages were considered significant by nearly 70 percent of those responding.

Research Question Three

Are there other methods or policies which would provide better incentives for managers and contracting officials to minimize the unnecessary use of government funds?

Several conclusions can be drawn from this study. First, there needs to be additional incentive for managers to spend less than the budgeted amount. The perception of future budgets being dependent on the use of current funds is likely to continue as an impediment to the return of funds which may not be needed in the applicable fiscal year. Any method which increases the incentive to spend less than the budgeted amount will minimize the amount of government funds needed.

If risk to program managers is reduced, the amount of funds required may be correspondingly reduced. For example, better advance budget information would allow better planning and program risk reduction. Additionally, if it were possible for a program manager to contribute current funds to an "insurance" pool, with the knowledge that they would offset future risks, the incentive to reduce current spending could be increased.

Contracting officers do feel that current policies are not fully effective. Verbal comments together with apparent variations by appropriation show that policies which restrict obligations at year-end may be more applicable to other commands. Given the complexities of Air Force Systems Command procurements and the lengthy contracting times required, current policies have the potential to force prompt negotiation and obligation earlier than might be ideal. Relaxation of current policies might be beneficial if sufficient manpower were available at the proper times needed for obligation.

If commitment of funds was sufficient to reserve the money for obligation beyond the end of the fiscal year, additional time could be allowed to consolidate low priority (but necessary) items and prevent

the potential waste due to hurried negotiations or duplicative buying. Over 60 percent of those responding felt that such a method would be beneficial.

Research Question Four

Would additional training of Air Force Systems Command fund managers or contracting officers be beneficial in reducing the possibility of waste, and if so, what areas should that training cover?

Over 50 percent of those responding to the survey indicated that training for program managers was not adequate and that this training should emphasize contracting procedures and schedules. Were program and project managers fully aware of the practical and statutory requirements for successful contract award, both requirements generation and planning might be improved. For the contracting officer, about 33 percent felt that training was less than adequate. The desired training areas were budget and financial, and current year-end policies.

Policy Implications

In the future it may be possible to test methods and policies which might provide additional incentive to minimize the overall expenditure of government funds and reduce the workload near the end of the fiscal year. From the perspective of the contracting officer, it appears that current policies may satisfy the media and Congress but not solve the problems it appeared to solve.

Recommendations for Follow-on Research

Several areas of this study are potentially worthy of additional study. First, this study did not address the perspective of the

program/project officers who generate requirements and are responsible for overall program cost, schedule and performance issues. Input from their perspective could allow additional insight into the problems incurred in year-end obligation of funds and provide information regarding methods which could be used as incentive to return excess funds.

Although beyond the scope of a thesis it might also be possible to test incentive plans on a limited basis for a small number of programs or base locations. Investigation of the best methods for potential testing and the associated requirements for waiver of current regulations to allow testing would also be beneficial as future policy inputs.

APPENDIX A: SURVEY QUESTIONNAIRE



DEPARTMENT OF THE AIR FORCE
AIR UNIVERSITY
AIR FORCE INSTITUTE OF TECHNOLOGY
WRIGHT-PATTERSON AIR FORCE BASE OH 45433-6583

15 JUN 1967

REPLY TO
ATTN OF LSG

SUBJECT Survey of the Contracting Officer's Perspective on Year-End Spending

TO Air Force Contracting Personnel

1. Periodically there is renewed emphasis and enforcement of year-end spending policies. These policies are intended to prevent wasteful and hurried obligation of government funds. However, there currently is little statistical information regarding the impact of these policies and their relative effectiveness. This survey is designed to provide feedback of your perspective on these policies. Study results will provide valuable insight into the year-end spending process for future policy decisions.

2. Your participation is voluntary and your responses will be anonymous. To complete the survey, circle the appropriate response or write your response below the question as appropriate. After completing the questionnaire, please blacken the corresponding circles on the survey answer sheet. Your SSAN is not required. Results will be presented in terms of the "typical" contracting officer's perception of year-end spending. When the results of the survey are published, readers will in no way be able to identify specific individuals. This survey has been coordinated through the Military Personnel Survey Control Office.

3. Please return the survey and the answer sheet to AFIT/LSG in the enclosed envelope within five working days. If you have any questions, contact Capt David Goble at AUTOVON 785-6569. Thank you for your cooperation and participation.

Anthony D'Angelo
ANTHONY D'ANGELO,
Professor of Financial Management
School of Systems and Logistics

3 atch
1. Survey
2. Return Envelope
3. Answer Sheet

STRENGTH THROUGH KNOWLEDGE

Please indicate your response by circling the letter of the best answer for each question or filling in the blank when requested. After completing the survey, please blacken the corresponding response on the survey answer sheet.

1. Please select your primary AFSC or GS/GM series identifier.
 - a. 6534
 - b. 6516
 - c. 6596
 - d. GS-1102
 - e. Other (Please specify.) _____
2. Military rank. Civilians, please skip to question 3.
 - a. 2Lt
 - b. 1Lt
 - c. Captain
 - d. Major
 - e. Lt Col
 - f. Colonel
3. Civilian grade. Military members, please skip to question 4.
 - a. GS-7
 - b. GS-9
 - c. GS-11
 - d. GS-12
 - e. GS/GM-13
 - f. GS/GM-14
 - g. GS/GM-15
4. To which organization are you now assigned?
 - a. Hq AFSC
 - b. Space Division
 - c. Armament Division
 - d. Electronic Systems Division
 - e. Aeronautical Systems Division
 - f. a test organization
 - g. a laboratory
 - h. an AFPRO
 - i. AFCMD
 - j. other _____
5. Please indicate your primary responsibility as a contracting officer.
 - a. a warranted contracting officer
 - b. a buyer
 - c. staff duties not directly involved in obligating funds
 - d. other primary title (Please fill in.) _____

6. How many years experience do you have in contracting?
- a. two or less
 - b. three or four
 - c. five or six
 - d. seven through nine
 - e. ten or more years years
7. Against which appropriation is the majority of funding obligated?
- a. Research and Development (3600)
 - b. Aircraft (3010)
 - c. Missile (3020)
 - d. Other procurement (3080)
 - e. Operations and Maintenance (3400)
 - f. Not directly involved in obligating funds
 - g. Other or don't know

Previous research has indicated the following were primary causes for hurried spending late in the fiscal year. Please read questions 8 - 12 and then rank order the causes listed.

8. Late receipt of contingency funds no longer needed by other programs should be ranked:

- a. first
- b. second
- c. third
- d. fourth
- e. fifth

9. Late budget approval by the Congress should be ranked:

- a. first
- b. second
- c. third
- d. fourth
- e. fifth

10. The perceived need to obligate before funds expire should be ranked:

- a. first
- b. second
- c. third
- d. fourth
- e. fifth

11. The perceived need to obligate all current funds and thereby prevent budget cuts in the next year should be ranked:

- a. first
- b. second
- c. third
- d. fourth
- e. fifth

12. The complexity of DoD procurement, including the organizational and operating environment as well as the goods and services procured, should be ranked:

- a. first
- b. second
- c. third
- d. fourth
- e. fifth

13. Do you feel that there is an important cause that has not been mentioned?

- a. Yes
- b. No

14. If you answered yes to question 13, please identify the cause below.

15. Where should it be inserted in the ranking above? Please skip to question 16 if you did not identify another cause.

- a. First
- b. Between first and second
- c. Between second and third
- d. Between third and fourth
- e. Between fourth and fifth
- f. Last

16. From the contracting officer's perspective, obligation of funds near the end of the fiscal year is not a significant problem.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

17. Contracting officers are familiar with policies which limit obligation of funds near year-end.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

18. Does your organization impose additional policy restrictions on obligation of funds near year-end?

- a. Yes
- b. No
- c. Don't know

19. Policies which require early obligation of funds are effective in reducing the potential for waste.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

20. Year-end spending policy restrictions also have the effect of restricting the obligation of multiyear funds (e.g. 3010, 3020, 3080) which are not expiring.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

21. Contracting officers are not pressured into obligating funds for unnecessary or questionable items near the end of the fiscal year.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

22. Contracting officers are not pressured into acquiring low priority items late in the fiscal year.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

For the purpose of answering the following questions (23 - 28), waste should be considered to be any unnecessary or excessive expenditure of government funds.

23. Administrative error is a significant contributing factor in the potential waste of government funds at the end of the fiscal year.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

24. Lack of competition is a significant contributing factor in the potential waste of government funds at the end of the fiscal year.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

25. Hurried negotiation is a significant contributing factor in the potential waste of government funds at the end of the fiscal year.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

26. Purchase of very low priority or unneeded items is a significant contributing factor in the potential waste of government funds at the end of the fiscal year.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

27. Shortage of contracting officer/buyer manpower is a significant contributing factor in the potential waste of government funds at the end of the fiscal year.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Disagree strongly

28. Please identify any other important factor which increases the potential for waste.

29. It is the contracting officer's responsibility to make judgements regarding the necessity of purchases or funds obligated.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

30. How much does your workload increase in the third quarter (April - June) as a result of policies which require early obligation of funds?

- a. It does not increase
- b. Only a small amount
- c. A significant but manageable amount
- d. Enough to cause workload problems

31. How much does your workload increase in the fourth quarter (July - September) timeframe?

- a. It does not increase
- b. Only a small amount
- c. A significant but manageable amount
- d. Enough to cause workload problems

32. Use of expired unobligated funds for purchase of lower priority items after the end of the fiscal year would be beneficial.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

33. If you were guaranteed that you (or the Program/Fund Manager) would receive funding at least equal to the portion returned unused in this fiscal year, what percentage of the yearly budget could be returned?

- a. None or a very small amount
- b. Less than two percent
- c. Two to five percent
- d. Six to ten percent
- e. Greater than ten percent
- f. Don't know

34. Proposed two-year budgets which "lock-in" the following years budget at the Congressional level would:

- a. Provide better budget information and reduce the need to obligate all current year funds since there is no reason to "protect" a budget.
- b. Provide better budget information but have little impact since Hq USAF has the ability to reallocate funds between programs in the same appropriation.
- c. Don't know.

35. Training of contracting officers relative to year-end spending problems and issues is adequate.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

36. Training of program/project officers or responsible fund managers with respect to the contractual aspects of year-end spending is adequate.

- a. Strongly agree
- b. Agree
- c. Neither agree or disagree
- d. Disagree
- e. Strongly disagree

37. The most important area of additional training for program/project office personnel and funds managers is:

- a. Budget and financial
- b. Contracting procedures and schedules
- c. Legal restrictions
- d. Familiarization with current policies restricting year-end obligation of funds.
- e. Other _____

38. The most important area of additional training for contracting office personnel is:

- a. Budget and financial
- b. Contracting procedures and schedules
- c. Legal restrictions
- d. Familiarization with current policies restricting year-end obligation of funds.
- e. Other _____

39. Please feel free to comment below on any issue relative to year-end spending which you feel deserves additional attention including any suggestions you may have relative to the need for revision of current policy.

APPENDIX B: SAS DATA ANALYSIS PROGRAM

* OPTIONS LINESIZE=73;

PROC FORMAT;

VALUE LQ1A	.='NO ANSWER' 0='6534' 1='6516' 2='6596' 3='GS-1102' 4='OTHER';
VALUE LQ2A	.='NO ANSWER' 0='2LT' 1='1LT' 2='CAPT' 3='MAJ' 4='LT COL' 5='COL';
VALUE LQ3A	.='NO ANSWER' 0='GS-7' 1='GS-9' 2='GS-11' 3='GS-12' 4='GS/GM-13' 5='GS/GM-14' 6='GS/GM-15';
VALUE LQ4A	.='NO ANSWER' 0='HQ AFSC' 1='SPACE DIVISION' 2='ARMAMENT DIVISION' 3='ELECTRONIC SYSTEMS DIVISION' 4='AERONAUTICAL SYSTEMS DIVISION' 5='TEST ORGANIZATION' 6='LABORATORY' 7='AFPRO' 8='HQ AFCMD' 9='OTHER';
VALUE LQ5A	.='NO ANSWER' 0='WARRANTED CONTRACTING OFFICER' 1='BUYER' 2='STAFF DUTIES' 3='OTHER TITLE';
VALUE LQ6A	.='NO ANSWER' 0='TWO OR LESS' 1='THREE OR FOUR' 2='FIVE OR SIX' 3='SEVEN THRU NINE' 4='TEN OR MORE';
VALUE LQ7A	.='NO ANSWER' 0='R&D' 1='AIRCRAFT' 2='MISSILE'

	3='OTHER (3080)'
	4='O&M'
	5='NOT INVOLVED'
	6='OTHER OR UNKNOWN';
VALUE LQ8A	.= 'NO ANSWER'
	0='FIRST'
	1='SECOND'
	2='THIRD'
	3='FOURTH'
	4='FIFTH';
VALUE LQ13A	.= 'NO ANSWER'
	0='YES'
	1='NO';
VALUE LQ14A	.= 'N/A';
VALUE LQ15A	.= 'N/A'
	0='FIRST'
	1='BTWN FIRST & SECOND'
	2='BTWN SECOND & THIRD'
	3='BTWN THIRD & FOURTH'
	4='BTWN FOURTH & FIFTH'
	5='LAST';
VALUE LQ16A	.= 'NO ANSWER'
	0='STRONGLY AGREE'
	1='AGREE'
	2='NEITHER AGREE OR DISAGREE'
	3='DISAGREE'
	4='STRONGLY DISAGREE';
VALUE LQ18A	.= 'NO ANSWER'
	0='YES'
	1='NO'
	2='UNKNOWN';
VALUE LQ19A	.= 'NO ANSWER'
	0='STRONGLY AGREE'
	1='AGREE'
	2='NEITHER AGREE OR DISAGREE'
	3='DISAGREE'
	4='STRONGLY DISAGREE';
VALUE LQ30A	.= 'NO ANSWER'
	0='DOES NOT INCREASE'
	1='ONLY A SMALL AMOUNT'
	2='SIGNIFICANT BUT MANAGEABLE'
	3='CAUSES WORKLOAD PROBLEMS';
VALUE LQ32A	.= 'NO ANSWER'
	0='STRONGLY AGREE'
	1='AGREE'
	2='NEITHER AGREE OR DISAGREE'
	3='DISAGREE'
	4='STRONGLY DISAGREE';

VALUE LQ33A .= 'NO ANSWER'
 0= 'NONE/VERY SMALL '
 1= '< 2 PERCENT'
 2= '2 TO 5 PERCENT'
 3= '6 TO 10 PERCENT'
 4= '> 10 PERCENT'
 5= 'DO NOT KNOW';
 VALUE LQ34A .= 'NO ANSWER'
 0= 'REDUCE THE NEED TO OBLIGATE'
 1= 'LITTLE IMPACT'
 2= 'DO NOT KNOW';
 VALUE LQ35A .= 'NO ANSWER'
 0= 'STRONGLY AGREE'
 1= 'AGREE'
 2= 'NEITHER AGREE OR DISAGREE'
 3= 'DISAGREE'
 4= 'STRONGLY DISAGREE';
 VALUE LQ37A .= 'NO ANSWER'
 0= 'BUDGET AND FINANCIAL'
 1= 'CONTRACTING PROCEDURES AND SCHEDULES'
 2= 'LEGAL RESTRICTIONS'
 3= 'YEAR-END POLICY RESTRICTIONS'
 4= 'OTHER';

DATA INIT;

INFILE RETURNS;

INPUT CONTROL 1-8

Q1 9 Q2 10 Q3 11 Q4 12 Q5 13
 Q6 14 Q7 15 Q8 16 Q9 17 Q10 18
 Q11 19 Q12 20 Q13 21 Q14 22 Q15 23
 Q16 24 Q17 25 Q18 26 Q19 27 Q20 28
 Q21 29 Q22 30 Q23 31 Q24 32 Q25 33
 Q26 34 Q27 35 Q28 36 Q29 37 Q30 38
 Q31 39 Q32 40 Q33 41 Q34 42 Q35 43
 Q36 44 Q37 45 Q38 46;

ATTRIB Q1	FORMAT= LQ1A.	LABEL= 'AFSC OR JOB SERIES'
Q2	FORMAT= LQ2A.	LABEL= 'MILITARY RANK'
Q3	FORMAT= LQ3A.	LABEL= 'CIVILIAN GRADE'
Q4	FORMAT= LQ4A.	LABEL= 'ASSIGNED ORGANIZATION'
Q5	FORMAT= LQ5A.	LABEL= 'PRIMARY RESPONSIBILITY'
Q6	FORMAT= LQ6A.	LABEL= 'YEARS CONTRACTING EXPERIENCE'
Q7	FORMAT= LQ7A.	LABEL= 'MAJORITY FUND APPROPRIATION'
Q8	FORMAT= LQ8A.	LABEL= 'LATE RECEIPT OF CONTINGENCY FUNDS'
Q9	FORMAT= LQ8A.	LABEL= 'LATE BUDGET APPROVAL BY CONGRESS'
Q10	FORMAT= LQ8A.	LABEL= 'NEED TO OBLIGATE BEFORE EXPIRATION'
Q11	FORMAT= LQ8A.	LABEL= 'NEED TO OBLIGATE TO PREVENT BUDGET CUTS'
Q12	FORMAT= LQ5A.	LABEL= 'COMPLEXITY OF DOB

		PROCUREMENT'
Q13	FORMAT=LQ13A.	LABEL= 'MORE IMPORTANT CAUSE OF SPENDING'
Q14	FORMAT=LQ14A.	LABEL= 'OPEN QUESTION'
Q15	FORMAT=LQ15A.	LABEL= 'ADDITIONAL CAUSE SHOULD RANK'
Q16	FORMAT=LQ16A.	LABEL= 'Y-E OBLIGATION NOT A PROBLEM'
Q17	FORMAT=LQ16A.	LABEL= 'CO IS FAMILIAR WITH Y-E POLICY'
Q18	FORMAT=LQ18A.	LABEL= 'ORGANIZATION IMPOSES ADDED LIMITS'
Q19	FORMAT=LQ19A.	LABEL= 'POLICY REDUCES POTENTIAL WASTE'
Q20	FORMAT=LQ19A.	LABEL= 'RESTRICTIONS LIMIT NON-EXPIRING FUNDS'
Q21	FORMAT=LQ19A.	LABEL= 'NOT PRESSURED FOR UNNECESSARY ITEMS'
Q22	FORMAT=LQ19A.	LABEL= 'NOT PRESSURED FOR LOW PRIORITY ITEMS'
Q23	FORMAT=LQ19A.	LABEL= 'ADMIN ERROR IS A SIGNIFICANT FACTOR'
Q24	FORMAT=LQ19A.	LABEL= 'LACK OF COMPETITION SIGNIFICANT'
Q25	FORMAT=LQ19A.	LABEL= 'HURRIED NEGOTIATION SIGNIFICANT'
Q26	FORMAT=LQ19A.	LABEL= 'PURCHASE OF VERY LPI SIGNIFICANT'
Q27	FORMAT=LQ19A.	LABEL= 'SHORTAGE OF MANPOWER SIGNIFICANT'
Q28	FORMAT=LQ19A.	LABEL= 'OTHER FACTORS - OPEN QUESTION'
Q29	FORMAT=LQ19A.	LABEL= 'CO RESPONSIBILITY TO JUDGE'
Q30	FORMAT=LQ30A.	LABEL= 'THIRD QUARTER WORKLOAD INCREASE'
Q31	FORMAT=LQ30A.	LABEL= 'FOURTH QUARTER WORKLOAD INCREASE'
Q32	FORMAT=LQ19A.	LABEL= 'EXPIRED FUNDS FOR LPI BENEFICIAL'
Q33	FORMAT=LQ33A.	LABEL= 'HOW MUCH COULD BE RETURNED'
Q34	FORMAT=LQ34A.	LABEL= 'TWO-YEAR BUDGETS WOULD:'
Q35	FORMAT=LQ35A.	LABEL= 'TRAINING OF CO IS ADEQUATE'
Q36	FORMAT=LQ35A.	LABEL= 'TRAINING OF PM IS ADEQUATE'
Q37	FORMAT=LQ37A.	LABEL= 'ADDITIONAL TRAINING FOR PM:'
Q38	FORMAT=LQ37A.	LABEL= 'ADDITIONAL TRAINING FOR CO:';

PROC PRINT;

PROC FREQ;

TABES ALL ;
 TABES Q4* (Q1 Q2 Q3);
 TABES Q6* (Q1);
 TABES Q7* (Q2 Q3);

TABLES Q8* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q9* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q10* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q11* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q12* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q13* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q14* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q15* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q16* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q17* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q18* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q19* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q20* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q21* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q22* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q23* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q24* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q25* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q26* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q27* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q28* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q29* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q30* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q31* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q32* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q33* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q34* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q35* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q36* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q37* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);
TABLES Q38* (Q1 Q2 Q3 Q4 Q5 Q6 Q7);

BIBLIOGRAPHY

1. Budget and Program Newsletter, 13 No. 24: Washington DC, (12 June 1987).
2. Coleman, Jerry Congress and DOD Budget Execution. Research Program Report, NDU/ICAF-IR 30-34. National Defense University, Industrial College of the Armed Forces (ICFA-AA), Ft. McNair Washington DC, 20319 April 85.
3. Dyer, Melda F. G. An Analysis of the Acquisition Process at the End of the Fiscal Year. Master's thesis, Naval Postgraduate School, Monterey CA, December 1981 (AD-A112 307).
4. Farrell, Capt James M. and Capt Paul K. Spendley, An Examination of Year-End Spending with Regard to Department of Defense Contract Awards. MS thesis, LSSR 40-81. School of Systems and Logistics, Air Force Institute of Technology (AU), Wright-Patterson AFB OH, June 1981 (AD-A107 033)
5. Fox, J. Ronald. "Revamping the Business of National Defense," Harvard Business Review, 62 No. 5: 62-70 (September - October 1984).
6. Methvin, Eugene H., Senior Editor, Washington Bureau, Reader's Digest Association, Inc. "Washington's Year-end Spending Spree," The Reader's Digest, 13-14 (September 1980).
7. Nelson-Horchler, Joani and McClenahan, John S. "Buck-passing Perfected, Yearend-Spending Data Are Hard to Find", Industry Week, 226 No. 3: 21-22 (5 August 1985).
8. Office of the Secretary of Defense. Memorandum for Assistant Secretaries of the Military Departments (Financial Management). 27 January 1986.
9. Rosengartner, L. Steven. Attachment 1 to ASD/AC/PM Ltr, Controls and Reporting of Year-End Spending Practices, 3 June 1987.
10. U.S. Congress, Senate, Committee on Governmental Affairs. Hearing Before the Committee on Governmental Affairs, U.S. Senate, Ninety-Ninth Congress, Second Session, on S.J. Res. 190, S.1206, S.2004-S, 2010, H.R. 2401. 28 February 1986. Washington: Government Printing Office, 1986.

11. U.S. Congress, Senate, Subcommittee on Oversight of Government Management of the Committee on Governmental Affairs. "Hurry-Up" Spending. Report, 96th Congress, 2d Session, 23 July, 1980. Washington: Government Printing Office, 1980.
12. U.S. General Accounting Office. Fiscal Year-End Spending Patterns for Fiscal Years 1982, 1983, and 1984 . GAO/AFMD-85-75. United States General Accounting Office, Washington, D.C. 20548, 17 September 1985.
13. Voder, Eric. "Services Rushed to Spend at FY '83 Close", Air Force Times, 44: 18 (28 May 1984).

VITA

Captain David J. Goble was born on 16 April 1952 in St. Joseph, Michigan. He graduated from high school in Hastings, Michigan, in 1970 and enlisted in the Air Force in 1972. Upon completion of his tour of service he attended Michigan State University, from which he received a Bachelor of Arts in Management/Personnel Administration in 1979. Upon graduation, he received a commission in the USAF through the ROTC program. Captain Goble was initially assigned to the Aeronautical Systems Division, Combat Identification System Program Office, where he served as test manager and acquisition project officer. In August of 1983, Captain Goble was reassigned to Space Division, Defense Satellite Communications System Program Office, where he served as assistant director of program control until entering the School of Systems and Logistics, Air Force Institute of Technology, in May 1986.

Permanent address: 6234 Pheasant Hill Road
Dayton, Ohio 45424

REPORT DOCUMENTATION PAGE

Form Approved
OMB No. 0704-0188

1a. REPORT SECURITY CLASSIFICATION UNCLASSIFIED		1b. RESTRICTIVE MARKINGS	
2a. SECURITY CLASSIFICATION AUTHORITY		3. DISTRIBUTION / AVAILABILITY OF REPORT Approved for public release; Distribution unlimited.	
2b. DECLASSIFICATION / DOWNGRADING SCHEDULE		5. MONITORING ORGANIZATION REPORT NUMBER(S)	
4. PERFORMING ORGANIZATION REPORT NUMBER(S) AFIT/GSM/LSY/87S-9		7a. NAME OF MONITORING ORGANIZATION	
6a. NAME OF PERFORMING ORGANIZATION School of Systems and Logistics	6b. OFFICE SYMBOL (If applicable) AFIT/LSY	7b. ADDRESS (City, State, and ZIP Code)	
6c. ADDRESS (City, State, and ZIP Code) Air Force Institute of Technology Wright-Patterson AFB OH 45433-6583		9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER	
8a. NAME OF FUNDING / SPONSORING ORGANIZATION	8b. OFFICE SYMBOL (If applicable)	10. SOURCE OF FUNDING NUMBERS	
8c. ADDRESS (City, State, and ZIP Code)		PROGRAM ELEMENT NO.	PROJECT NO.
		TASK NO.	WORK UNIT ACCESSION NO.
11. TITLE (Include Security Classification) YEAR-END SPENDING: AN ANALYSIS OF THE CONTRACTING OFFICER'S PERSPECTIVE			
12. PERSONAL AUTHOR(S) David J. Goble, B.A., Captain, USAF			
13a. TYPE OF REPORT MS Thesis	13b. TIME COVERED FROM _____ TO _____	14. DATE OF REPORT (Year, Month, Day) 1987 September	15. PAGE COUNT 80
16. SUPPLEMENTARY NOTATION			
17. COSATI CODES		18. SUBJECT TERMS (Continue on reverse if necessary and identify by block number)	
FIELD	GROUP	SUB-GROUP	
15	05		
05	01		
		Contracts, Procurement, Military Budgets	
19. ABSTRACT (Continue on reverse if necessary and identify by block number) Thesis Chairman: Anthony D'Angelo Professor of Accounting <div style="text-align: right;">Approved for public release: 1477 AFR 1 / LYAN E. WOLFE 24 SA 87 Data for... Air Force Institute of Technology Development Wright-Patterson AFB OH 45433</div>			
20. DISTRIBUTION / AVAILABILITY OF ABSTRACT <input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS RPT <input type="checkbox"/> DTIC USERS		21. ABSTRACT SECURITY CLASSIFICATION UNCLASSIFIED	
22a. NAME OF RESPONSIBLE INDIVIDUAL Anthony D'Angelo		22b. TELEPHONE (Include Area Code) (513) 255-4845	22c. OFFICE SYMBOL AFIT/LSY

UNCLASSIFIED

Block 19. Abstract.

The purpose of this study was to examine the perspectives of Air Force Systems Command contracting officers relative to year-end spending practices, current policies, and changes needed in order to minimize waste and/or the perception of waste given that year-end spending is not necessarily wasteful.

Four research questions were addressed. These were: (1) Do contracting officials agree with the causes of year-end spending identified in previous research and which of these is considered to be the most significant factor? (2) Do policies which implement earlier (e.g., third quarter of the fiscal year) deadlines decrease the potential for waste? (3) Are there other methods or policies which would provide better incentives for managers and contracting officials to minimize the unnecessary use of available government funds? (4) Would additional training of Air Force fund managers and contracting officers be beneficial in reducing the possibility of waste, and, if so, what areas should that training cover?

In general, most contracting officers did agree with the causes previously identified and considered the need to obligate before expiration of funds as the most significant. Additional causes, including the complexity of the procurement environment, followed closely in the order of importance. Over 50 percent of those responding indicated that current policies do not reduce the potential waste. The "typical" Air Force Systems Command contracting officer also feels that there is some pressure to obligate funds for low priority items. The most significant cause of waste was the requirement to hurry negotiations before the end of the fiscal year.

With respect to potential policy improvements and additional training, most felt that additional incentives are necessary to minimize the use of funds and that additional training would be beneficial. For program managers this training should emphasize contracting procedures and schedules. Contracting officers desired additional training in the financial area and better knowledge of current year-end policies.

UNCLASSIFIED

END
FILMED
FEB. 1988
DTIC